
NOTICE TO READER

In accordance with National Instrument 51-102, part 4, subsection 4.3(3)(a) released by the Canadian Securities Administrators, Questor Technology Inc. discloses that its auditors have not reviewed the unaudited condensed financial statements for the three-month periods ended March 31, 2011 and March 31, 2010.

QUESTOR TECHNOLOGY INC.
CONDENSED STATEMENT OF COMPREHENSIVE LOSS

Stated in Canadian dollars except per share data
(unaudited)

For the three months ended March 31	Notes	2011	2010
Revenue	5	\$ 897,876	\$ 488,117
Cost of sales		(600,264)	(337,708)
Gross profit		297,612	150,409
Administration expenses		(384,269)	(297,324)
Net foreign exchange losses		(38,287)	(47,295)
Research and development costs		(20,968)	(16,698)
Depreciation of property and equipment	10	(2,888)	(2,921)
Amortization of intangible assets	11	(305)	(4,010)
Loss on disposal of property and equipment	10	(1,613)	-
Finance costs		-	(504)
Other revenue	5	3,717	1,512
Loss before tax		(147,001)	(216,831)
Income tax income	7	27,460	53,383
Loss and comprehensive loss		\$ (119,541)	\$ (163,448)
Loss per share	15		
Basic		\$ (0.005)	\$ (0.007)
Diluted		\$ (0.005)	\$ (0.007)

See accompanying notes to the unaudited condensed financial statements.

QUESTOR TECHNOLOGY INC.
CONDENSED STATEMENT OF FINANCIAL POSITION

Stated in Canadian dollars
(unaudited)

As at	Notes	March 31 2011	December 31 2010
ASSETS			
Current assets			
Cash	8	\$ 3,950,136	\$ 3,995,669
Trade and other receivables	18	1,020,352	1,873,636
Current tax assets	7	110,444	362
Inventories	9	398,698	313,567
Prepaid expenses and deposits		60,861	107,467
Total current assets		5,540,491	6,290,701
Non-current assets			
Property and equipment	10	1,098,034	1,037,565
Intangible assets	11	10,454	10,759
Deferred tax assets	7	69,523	49,695
Total non-current assets		1,178,011	1,098,019
Total assets		\$ 6,718,502	\$ 7,388,720
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables, accrued liabilities and provisions		\$ 625,381	\$ 852,821
Current tax liabilities	7	13,408	230,746
Deferred revenue and deposits		31,944	146,485
Total current liabilities		670,733	1,230,052
Non-current liabilities			
Deferred tax liabilities	7	100,655	108,287
Total liabilities		771,388	1,338,339
Capital and reserves			
Issued capital	12	5,404,966	5,404,966
Reserves	14	610,218	593,944
(Deficit) retained earnings		(68,070)	51,471
Total equity		5,947,114	6,050,381
Total liabilities and equity		\$ 6,718,502	\$ 7,388,720

See accompanying notes to the unaudited condensed financial statements.

QUESTOR TECHNOLOGY INC.
CONDENSED STATEMENT OF CHANGES IN EQUITY
Stated in Canadian dollars
(unaudited)

	Issued capital	Reserves	(Deficit) retained earnings	Total equity
Balance at January 1, 2010	\$ 5,265,736	\$ 573,349	\$ (393,589)	\$ 5,445,496
Loss	-	-	(163,448)	(163,448)
Recognition of share-based payments	-	26,308	-	26,308
Issue of ordinary shares under employee share option plan	-	-	-	-
Balance at March 31, 2010	5,265,736	599,657	(557,037)	5,308,356
Profit	-	-	608,508	608,508
Recognition of share-based payments	-	63,517	-	63,517
Issue of ordinary shares under employee share option plan	139,230	(69,230)	-	70,000
Balance at December 31, 2010	5,404,966	593,944	51,471	6,050,381
Loss	-	-	(119,541)	(119,541)
Recognition of share-based payments	-	16,274	-	16,274
Issue of ordinary shares under employee share option plan	-	-	-	-
Balance at March 31, 2011	\$ 5,404,966	\$ 610,218	\$ (68,070)	\$ 5,947,114

See accompanying notes to the unaudited condensed financial statements.

QUESTOR TECHNOLOGY INC.
CONDENSED STATEMENT OF CASH FLOWS
Stated in Canadian dollars
(unaudited)

For the three months ended March 31	Notes	2011	2010
Cash flows from operating activities			
Loss		\$ (119,541)	\$ (163,448)
Adjustments for:			
Income tax income recognized in loss	7	(27,460)	(53,383)
Finance costs recognized in loss		-	504
Loss on disposal of property and equipment	10	1,613	-
Depreciation of property and equipment	10	46,220	47,272
Amortization of intangible assets	11	305	4,010
Net foreign exchange loss		38,024	47,258
Expense recognized in respect of equity-settled share-based payments	13	16,274	26,308
		(44,565)	(91,479)
Movements in working capital	20	350,983	293,135
Cash generated from operations		306,418	201,656
Income taxes paid		(215,000)	-
Net cash generated by operating activities		91,418	201,656
Cash flows from investing activities			
Movements in working capital	20	(28,984)	(275)
Payments for property and equipment		(82,518)	(3,439)
Proceeds from disposal of property and equipment	10	3,200	-
Net cash used in investing activities		(108,302)	(3,714)
Cash flows from financing activities			
Repayment of borrowings		-	(5,077)
Interest paid		-	(504)
Net cash used in financing activities		-	(5,581)
Net increase (decrease) in cash		(16,884)	192,361
Cash at beginning of period		3,995,669	3,080,997
Effects of exchange rate changes on the balance of cash held in foreign currencies		(28,649)	(44,935)
Cash at end of period		\$ 3,950,136	\$ 3,228,423

See accompanying notes to the unaudited condensed financial statements.

QUESTOR TECHNOLOGY INC.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2011
Stated in Canadian dollars except share data or where otherwise specified
(unaudited)

1. GENERAL INFORMATION

Questor Technology Inc. ("Questor" or the "Company") is incorporated in Canada under the Business Corporations Act (*Alberta*) and its common shares are traded on the TSX Venture Exchange under the symbol "QST". The address of the Company's corporate and registered office is 1121, 940 – 6th Avenue S.W., Calgary, Alberta, Canada, T2P 3T1. The Company also has a field office in Grande Prairie, Alberta, Canada.

Questor is an international environmental oilfield services provider focused on clean air technologies with activities in Canada, the United States, Europe and Asia. The principal business activities are designing and manufacturing high efficiency waste gas incinerators for sale or for use on a rental basis and providing combustion-related oilfield services.

2. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These are the Company's first interim financial statements prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, ("IAS 34") and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

These unaudited condensed financial statements should be read in conjunction with the audited financial statements contained in the Company's annual report for the year ended December 31, 2010 which were prepared in accordance with previous Canadian Generally Accepted Accounting Principles ("GAAP"). Certain disclosures that are required to be included in the annual financial statements prepared in accordance with IFRS that are not included in the Company's most recent annual financial statements (as they were prepared in accordance with previous Canadian GAAP) but are considered material to the understanding of the Company's condensed financial statements have been included in these financial statements for the comparative periods. These condensed financial statements do not, however, include all of the information required for full annual financial statements under IFRS.

IFRS 1 sets out the requirements that the Company must follow when it adopts IFRS for the first time as the basis for preparing its financial statements. Questor is required to establish its IFRS accounting policies for the twelve months ending December 31, 2011, and apply these retrospectively to determine the IFRS opening statement of financial position at the Company's date of transition of January 1, 2010. To assist companies in the transition process, the Standard permits a number of specified exemptions from the general principle of retrospective restatement. The Company has elected a number of specified exemptions from the general principal of retrospective application and these exemptions are set out in note 22.

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the reported financial position, financial performance and cash flows of the Company is set out in note 22. This note includes reconciliations of equity and comprehensive income (loss) for comparative periods as at the date of transition under previous Canadian GAAP to those reported for those periods and at the date of transition under IFRS.

The condensed financial statements for the three month ended March 31, 2011 (including comparatives) were approved and authorized for issue by the Board of Directors on June 27, 2011.

Basis of measurement

These unaudited condensed financial statements have been prepared on the historical cost basis.

Functional and presentation currency

These unaudited condensed financial statements are presented in Canadian dollars which is the Company's functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its December 31, 2011 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The accounting policies set out below are considered to be significant and were consistently applied to all the periods presented unless otherwise noted.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable, net of sales tax, trade discounts, rebates and similar allowances.

The revenue recognition criteria set out below is applied to the separately identifiable component of a single transaction in order to reflect the substance of the transaction. The consideration received from the transaction is allocated to the separately identifiable components based on the relative fair value of each component.

Revenue is recognized when the criteria specific to each separately identifiable component is met and the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of goods

Revenue from the sale of incinerators and parts is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. Significant risks and rewards are generally considered to be transferred to the buyer when the goods are delivered and legal title has passed.

In general, the Company has no further performance obligations other than those under its standard warranty.

Rendering of services

Revenue from incinerator rentals and the provision of incinerator and combustion services is recognized by reference to the stage of completion of the contract.

Incinerator rental income

Incinerator rental agreements do not constitute a lease agreement under IAS 17 *Leases* and, as such the incinerator rental income is recognized in accordance with IAS 18 *Revenue*. The associated revenue is recognized on a straight-line basis over the term of the rental agreement.

Amounts received from customers for use of an incinerator on a trial basis are reflected in the accounts as deferred revenue and deposits until the trial period ends and the nature of the revenue is determined.

Incinerator and combustion services

The stage of completion of the contract is determined as follows:

- Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period; and
- Revenue from time and material contracts is recognized at the contractual rates as labour hours and direct expenses are incurred.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Cost of sales

Cost of sales includes direct materials, direct labour, warranties and indirect overhead related to the field office. Depreciation relating to the rental incinerators, detachable trailers for rental incinerators, vehicles and utility trailers and tools and equipment is included as well.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

Transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

Employee benefits

Post-employment benefits

The Company does not provide post-employment benefits.

Short-term benefits

Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 13.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized as it accrues in profit or loss using the effective interest method.

Government assistance

Government grants and investment tax credits are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants and/or investment tax credits will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

Investment tax credits on Scientific Research and Experimental Development ("SR&ED") expenditures are reflected in the accounts as deductions from development costs when the expenditures giving rise to the investment tax credits have been capitalized. Otherwise, investment tax credits on SR&ED expenditures are recorded as other revenue.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income (loss) or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income (loss) or directly in equity respectively.

Earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The weighted average number of common shares outstanding is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all share options with exercise prices below the average market price for the year.

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments with original maturities of three months or less.

Inventories

Inventories consist of materials and supplies used in operations and in the fabrication of incinerators, work in progress and finished goods. Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Property and equipment

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets (other than capital projects in progress) less their residual values over their useful lives, using the method specified for the particular assets:

Asset	Rate	Method
Rental incinerators	5 – 20 years	Straight-line
Detachable trailers for rental incinerators	10 years	Straight-line
Vehicles and utility trailers	30%	Declining balance
Tools and equipment	20%	Declining balance
Office furniture and equipment	20%	Declining balance
Computer hardware and embedded systems software	30%	Declining balance
Leasehold improvements	Shorter of estimated useful life and lease term	Straight-line

When a property and equipment asset has significant components with different useful lives, each significant component is depreciated separately. Such is the case for rental incinerators.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Repairs and maintenance costs that do not improve or extend productive life are recognized in profit or loss in the period in which it is incurred.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Questor filed its Canadian patent on November 3, 1999 and received approval on May 1, 2007, at which time amortization commenced. This patent will remain in effect until November 2, 2019 at which time the associated costs will be fully amortized.

Internally-generated intangible assets - Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no

internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Warranties

Provisions for the expected cost of warranty obligations are recorded in cost of sales at the date of sale of the incinerator. The provision is estimated based on a number of factors including historical warranty claims and cost experience, the type and duration of warranty coverage and the nature of products sold and in service. The Company reviews its recorded product warranty provisions quarterly and any adjustment is recorded in cost of sales.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Company's financial assets and financial liabilities are classified into the following categories:

Financial asset/liability	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade payables, accrued liabilities and provisions	Other financial liabilities	Amortized cost
Borrowings	Other financial liabilities	Amortized cost

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company has designated its cash and trade and other receivables as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

The Company has no fair value through profit or loss, held-to-maturity or available-for-sale financial assets.

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income (loss) and accumulated in equity is recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Company has designated its trade payables, accrued liabilities, provisions and borrowings as other financial liabilities. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company has no financial liabilities at fair value through profit or loss.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments and hedge accounting

To date, Questor has not utilized hedges or other derivative financial instruments in its operations.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Impairment

Financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a

result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, other than inventories and deferred taxes, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

The Company has reviewed new and revised accounting pronouncements issued by the IASB and the IFRIC that are not yet effective for the year ended December 31, 2011 and determined that the following may have an impact on the Company:

Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* were issued in October 2010 and are effective for annual periods beginning on or after July 1, 2011. The amended standard introduces new disclosure requirements associated with the transfer and securitization of financial assets.

IFRS 9 *Financial Instruments* was issued in November 2009 and effective for annual reporting periods beginning on or after January 1, 2013, with earlier adoption permitted. In October 2010, IASB published amendments to IFRS 9. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value through profit and loss.

The Company does not expect these amended and new standards will have a material impact on the financial statements when adopted.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the Company is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the periods presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements in applying accounting policy and other key sources of estimation uncertainty at the end of the reporting period that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Componentization and useful lives of property and equipment and intangible assets

Amounts recorded for depreciation and amortization expense are based on the Company's componentization of its property and equipment assets and management's estimates of the useful life, pattern of consumption of future economic benefits and residual values of the Company's property and equipment and intangible assets. These estimates affect the carrying amount of property and equipment and intangible assets and are disclosed in notes 10 and 11.

Impairment of non-financial assets

The determination of whether indicators of impairment exist and the aggregation of assets into CGUs based on their ability to generate independent cash flows are subject to management's judgment. The recoverable amounts used for impairment calculations require estimates of future cash flows related to the assets or CGUs and estimates of discount rates applied to these cash flows.

As at January 1, 2010, December 31, 2010 and March 31, 2011, the Company determined that there were no indicators of impairment present.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires judgment as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's share price, the risk-free interest rate and expected dividends. The assumptions and models used by management to determine the fair value of share options are disclosed in note 13.

Taxation

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

Other

Other areas where the Company has made subjective judgements as a result of matters that are inherently uncertain, but which are not anticipated to have a significant risk of causing a material adjustment, are the fair value of financial instruments, revenue recognition by reference to the stage of completion of the contract, allowances for uncollectible trade receivables, likelihood of loss from litigation and estimates for warranty costs.

5. REVENUE

The following is an analysis of the Company's revenue:

For the three months ended March 31	2011	2010
Sale of goods	\$ 528,774	\$ 157,726
Rendering of services		
Incinerator rental income	162,350	221,300
Incinerator and combustion services	206,752	109,091
	897,876	488,117
Loss on disposal of property and equipment	(1,613)	-
Other revenue		
Interest income	-	21
Aggregate of immaterial items	3,717	1,491
	\$ 899,980	\$ 489,629

6. SEGMENTED INFORMATION

The Company reports its financial results as one reportable segment.

The Company's non-current assets are all located in Canada.

The following table provides information regarding revenue on a geographic basis as determined by the location of the customer or third party.

For the three months ended March 31	2011	2010
Canada	\$ 472,186	\$ 489,170
United States	343,396	459
Indonesia	82,048	-
Other	2,350	-
	\$ 899,980	\$ 489,629

7. INCOME TAXES

The tax provision recorded in the financial statements differs from the amount computed by applying the combined Canadian federal and provincial income tax statutory rates to income before tax as follows:

For the three months ended March 31	2011	2010
Loss before tax	\$ (147,001)	\$ (216,831)
Statutory income tax rate (%)	26.50	28.00
Expected taxes at statutory rate	(38,955)	(60,713)
Increase (decrease) in taxes resulting from:		
Permanent differences between accounting and tax basis of assets and liabilities	4,746	8,046
Effect of change in tax rate	6,535	(716)
Non-taxable portion of capital losses on disposition of assets	214	-
Income tax expense (income)	\$ (27,460)	\$ (53,383)

The provision for income taxes is comprised of deferred taxes only; there being no taxable profit upon which tax would be currently payable as at March 31, 2011 and 2010.

Questor's income taxes are calculated according to government tax laws and regulations which result in different values for certain assets and liabilities for income tax purposes than for financial statement purposes. The amounts shown on the statement of financial position as deferred tax assets and deferred tax liabilities represents the net difference between tax values and book carrying values at substantively enacted tax rates.

Deferred tax assets are composed of the following:

As at	March 31 2011	December 31 2010
Development costs	\$ 48,657	\$ 49,695
Non-capital losses	20,866	-
	\$ 69,523	\$ 49,695

Deferred tax liabilities are composed of the following:

As at	March 31 2011	December 31 2010
Property and equipment	\$ 81,949	\$ 89,581
Revenue holdback	15,170	15,170
SR&ED investment tax credits applied in excess of SR&ED expenditures	3,536	3,536
	\$ 100,655	\$ 108,287

8. CASH

Certain cash balances are held in foreign currencies of which the Canadian dollar equivalent is as follows:

As at	March 31 2011	December 31 2010
United States dollars	\$ 2,145,515	\$ 1,691,204
Euros	389	376
Other non-Canadian currencies	138	197
	2,146,042	1,691,777
Canadian dollars	1,804,094	2,303,892
	\$ 3,950,136	\$ 3,995,669

The Company's exposure to interest rate risk and sensitivity analysis for financial assets is discussed in note 18.

9. INVENTORIES

As at	March 31 2011	December 31 2010
Materials and supplies	\$ 64,477	\$ 62,859
Work in progress	330,126	173,365
Finished goods	4,095	77,343
	\$ 398,698	\$ 313,567

The cost of inventories recognized in profit and loss and included in cost of sales during the three month period ended March 31, 2011 was \$289,733 (2010 - \$90,958).

10. PROPERTY AND EQUIPMENT

	Rental incinerators	Detachable trailers for rental incinerators	Vehicles and trailers	Tools and equipment	Office furniture and equipment	Computer hardware and software	Capital projects in progress	Total
Cost								
Balance at January 1, 2010	\$ 1,526,637	\$ 175,500	\$ 254,648	\$ 42,073	\$ 58,054	\$ 64,253	\$ -	\$ 2,121,165
Additions	20,568	-	-	5,881	190	9,800	-	36,439
Dispositions:								
To third parties	-	-	-	-	-	-	-	-
Derecognition	(28,303)	-	-	-	-	-	-	(28,303)
Balance at December 31, 2010	1,518,902	175,500	254,648	47,954	58,244	74,053	-	2,129,301
Additions	2,023	-	-	-	-	3,135	106,344	111,502
Dispositions:								
To third parties	-	-	(41,889)	-	-	-	-	(41,889)
Derecognition	(5,296)	-	-	-	-	-	-	(5,296)
Balance at March 31, 2011	1,515,629	175,500	212,759	47,954	58,244	77,188	106,344	2,193,618
Accumulated depreciation								
Balance at January 1, 2010	615,856	79,233	145,797	14,209	39,671	37,585	-	932,351
Depreciation charges included in:								
Cost of sales	124,489	17,550	28,519	5,489	-	-	-	176,047
Depreciation expense	-	-	-	-	3,368	8,273	-	11,641
Depreciation of disposals:								
To third parties	-	-	-	-	-	-	-	-
Derecognition	(28,303)	-	-	-	-	-	-	(28,303)
Balance at December 31, 2010	712,042	96,783	174,316	19,698	43,039	45,858	-	1,091,736
Depreciation charges included in:								
Cost of sales	31,696	4,387	5,860	1,389	-	-	-	43,332
Depreciation expense	-	-	-	-	748	2,140	-	2,888
Depreciation of disposals:								
To third parties	-	-	(37,076)	-	-	-	-	(37,076)
Derecognition	(5,296)	-	-	-	-	-	-	(5,296)
Balance at March 31, 2011	738,442	101,170	143,100	21,087	43,787	47,998	-	1,095,584
Carrying amounts								
At January 1, 2010	\$ 910,781	\$ 96,267	\$ 108,851	\$ 27,864	\$ 18,383	\$ 26,668	\$ -	\$ 1,188,814
At December 31, 2010	\$ 806,860	\$ 78,717	\$ 80,332	\$ 28,256	\$ 15,205	\$ 28,195	\$ -	\$ 1,037,565
At March 31, 2011	\$ 777,187	\$ 74,330	\$ 69,659	\$ 26,867	\$ 14,457	\$ 29,190	\$ 106,344	\$ 1,098,034

In first quarter 2011, the Company disposed of a service vehicle with a net book value of \$4,813 for proceeds of \$3,200, resulting in a net loss on disposition of \$1,613. This amount is recognized in profit and included in loss on disposal of property and equipment.

The Company did not dispose of any property and equipment during 2010.

11. INTANGIBLE ASSETS

	Development costs		Patents		Total
Cost					
Balance at January 1, 2010	\$	277,796	\$	15,225	\$ 293,021
Additions		-		-	-
Disposals		-		-	-
Balance at December 31, 2010		277,796		15,225	293,021
Additions		-		-	-
Disposals		-		-	-
Balance at March 31, 2011		277,796		15,225	293,021
Accumulated amortization					
Balance at January 1, 2010		274,091		3,248	277,339
Amortization expense		3,705		1,218	
Balance at December 31, 2010		277,796		4,466	
Amortization expense		-		305	
Balance at March 31, 2011		277,796		4,771	
Carrying amounts					
At January 1, 2010	\$	3,705	\$	11,977	\$ 15,682
At December 31, 2010	\$	-	\$	10,759	\$ 10,759
At March 31, 2011	\$	-	\$	10,454	\$ 10,454

12. ISSUED CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value.

Shares issued and outstanding

	Number of shares	Share capital
Shares issued and outstanding, January 1, 2010 and March 31, 2010	24,007,370	\$ 5,265,736
Issue of ordinary shares under employee share option plan	700,000	139,230
Shares issued and outstanding, December 31, 2010 and March 31, 2011	24,707,370	\$ 5,404,966

Share options granted under the Company's employee share option plan

The Company has a share option plan under which directors, officers, key employees and consultants of Questor are eligible to receive grants at market prices. Options may be granted to purchase authorized but unissued common shares of the Company to a maximum of 4,708,474 shares. Options granted under the plan have a term of five years to expiry and one quarter of the options vest on each of the first, second, third and fourth anniversary dates of the grant date on a cumulative basis.

At March 31, 2011, directors, officers, key employees and consultants held options over 1,425,000 ordinary shares of the Company of which 150,000 will expire on September 29, 2011. At March 31, 2010, directors, officers, key employees and consultants held options over 2,175,000 ordinary shares of the Company of which 700,000 were scheduled to expire on November 21, 2010 and which were exercised on various dates during 2010 as detailed in note 13.

Share-based payments for the three months ended March 31, 2011 is \$16,274 (2010 - \$26,308). Of this amount, \$2,226 (2010 - \$5,312) is included in cost of sales and the balance in administration expenses.

Further details of the employee share option plan are provided in note 13.

13. SHARE-BASED PAYMENTS

The Board of Directors has adopted and approved a share option plan for the directors, officers, consultants and key employees of the Company and affiliates of the Company. The share option plan was approved by the shareholders of the Company on June 15, 2001 and as amended on June 3, 2005.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Board grants share options from time to time based on its assessment of the appropriateness of doing so in light of the long-term strategic objectives of the Company, its current stage of development, the need to retain or attract particular key personnel, the number of share options already outstanding and overall market conditions.

The following share-based payment arrangements were in existence at March 31, 2011 and in the prior year:

At March 31, 2011:

Number outstanding	Grant date	Expiry date	Remaining contractual life ⁽¹⁾	Exercise price ⁽²⁾	Fair value at grant date	Number exercisable
150,000	29-Sep-06	29-Sep-11	0.50	\$ 0.1800	\$ 0.1792	150,000
600,000	28-Aug-07	28-Aug-12	1.41	0.6700	0.6592	450,000
75,000	14-Apr-08	14-Apr-13	2.04	0.4300	0.3246	37,500
300,000	01-May-09	01-May-14	3.09	0.2500	0.1868	75,000
200,000	26-Apr-10	26-Apr-15	4.07	0.2700	0.1905	-
100,000	15-Oct-10	15-Oct-15	4.54	0.2350	0.1644	-
1,425,000			2.29	\$ 0.4307		712,500

⁽¹⁾ Weighted average number of years.

⁽²⁾ Weighted average.

At December 31, 2010:

Number outstanding	Grant date	Expiry date	Remaining contractual life ⁽¹⁾	Exercise price ⁽²⁾	Fair value at grant date	Number exercisable
150,000	29-Sep-06	29-Sep-11	0.74	\$ 0.1800	\$ 0.1792	150,000
600,000	28-Aug-07	28-Aug-12	1.66	0.6700	0.6592	450,000
75,000	14-Apr-08	14-Apr-13	2.29	0.4300	0.3246	37,500
300,000	01-May-09	01-May-14	3.33	0.2500	0.1868	75,000
200,000	26-Apr-10	26-Apr-15	4.32	0.2700	0.1905	-
100,000	15-Oct-10	15-Oct-15	4.79	0.2350	0.1644	-
1,425,000			2.54	\$ 0.4307		712,500

⁽¹⁾ Weighted average number of years.

⁽²⁾ Weighted average.

At March 31, 2010:

Number outstanding	Grant date	Expiry date	Remaining contractual life ⁽¹⁾	Exercise price ⁽²⁾	Fair value at grant date	Number exercisable
700,000	21-Nov-05	21-Nov-10	0.64	\$ 0.1000	\$ 0.0989	700,000
300,000	29-Sep-06	29-Sep-11	1.50	\$ 0.1800	0.1792	225,000
700,000	28-Aug-07	28-Aug-12	2.41	0.6700	0.6592	350,000
75,000	14-Apr-08	14-Apr-13	3.04	0.4300	0.3246	18,750
400,000	01-May-09	01-May-14	4.09	0.2500	0.1868	-
2,175,000			2.05	\$ 0.3334		1,293,750

⁽¹⁾ Weighted average number of years.

⁽²⁾ Weighted average.

The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Prior to 2008, expected volatility was based on the historical share price volatility over the preceding 5 years. This approach led to excessive volatilities when compared to industry peers and companies with a similar market capitalization. Consequently, beginning in 2008, the Board of Directors has determined the expected volatility with reference to both the historical volatility of the Company's shares and comparative indicators.

Inputs to the model	Grant date						
	21-Nov-05	29-Sep-06	28-Aug-07	14-Apr-08	01-May-09	26-Apr-10	15-Oct-10
Grant date share price ⁽¹⁾	0.1000	0.2500	0.6400	0.4450	0.3100	0.2800	0.2800
Exercise price (\$)	0.1000	0.1800	0.6700	0.4300	0.2500	0.2700	0.2350
Expected volatility (%)	191.56	250.00	200.00	100.00	100.00	90.00	90.00
Expected life (years)	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Expected dividend yield (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Risk-free interest rate (%)	4.00	4.25	4.20	2.88	1.63	2.59	1.79
Forfeiture rate (%) ⁽²⁾	0.00	9.40	9.40	9.40	9.40	9.40	9.40

(1) The closing market price of the common shares on the TSX Venture Exchange on the date of grant or the first trading day immediately following the date of grant if no common shares traded on the grant date.

(2) Under Canadian GAAP, forfeitures of share options were recognized as they occurred. Under IFRS, a forfeiture rate is estimated for the number of options expected to vest. Consequently, the Company has adjusted its share-based payments to reflect a forfeiture rate estimate.

The share options outstanding and exercisable at the beginning and end of the relevant period are as follows:

	Options outstanding					
	Three months ended March 31, 2011		Year ended December 31, 2010		Three months ended March 31, 2010	
	Number	Exercise price ⁽¹⁾	Number	Exercise price ⁽¹⁾	Number	Exercise price ⁽¹⁾
Balance at beginning of period	1,425,000	\$ 0.43	2,175,000	\$ 0.33	1,775,000	\$ 0.33
Granted	-	-	400,000	0.26	-	-
Forfeited	-	-	(450,000)	0.32	-	-
Exercised	-	-	(700,000)	0.10	-	-
Expired	-	-	-	-	-	-
Balance at end of period	1,425,000	\$ 0.43	1,425,000	\$ 0.43	2,175,000	\$ 0.33
Exercisable at end of period	712,500	\$ 0.51	712,500	\$ 0.51	1,293,750	\$ 0.27

(1) Weighted average.

No share options were exercised in the three-month period ended March 31, 2011. In 2010, the following share options were exercised during the year:

Option series	Number exercised	Exercise date	Exercise price	Share price at exercise date ⁽¹⁾
Granted on November 21, 2005	75,000	30-Apr-10	\$ 0.10	\$ 0.29
Granted on November 21, 2005	100,000	21-Jun-10	0.10	0.27
Granted on November 21, 2005	100,000	30-Aug-10	0.10	0.26
Granted on November 21, 2005	250,000	01-Sep-10	0.10	0.25
Granted on November 21, 2005	100,000	01-Sep-10	0.10	0.25
Granted on November 21, 2005	75,000	27-Oct-10	0.10	0.24
	700,000		\$ 0.10	\$ 0.26

(1) The closing market price of the common shares on the TSX Venture Exchange on the date of exercise or the first trading day immediately following the date of exercise if no common shares traded on the date of exercise.

Subsequent to March 31, 2011, no share options have been exercised.

On April 26, 2011, the Company issued share options to select officers entitling the purchase of up to 200,000 ordinary shares at \$0.225 per share, exercisable for a period of five years and vesting in accordance with the provisions of the Company's share option plan.

14. RESERVES

For the	Three months ended March 31 2011	Year ended December 31 2010
Reserves at beginning of period	\$ 593,944	\$ 573,349
Recognition of share-based payments during the period	16,274	89,825
Issue of ordinary shares under employee share option plan during the period	-	(69,230)
Reserves at end of period	\$ 610,218	\$ 593,944

15. EARNINGS PER SHARE

Basic loss per share

For the three months ended March 31	2011	2010
Loss for the period attributable to ordinary equity holders	\$ (119,541)	\$ (163,448)
Weighted average number of ordinary shares for the purposes of basic earnings per share	24,707,370	24,007,370
Basic loss per share	\$ (0.005)	\$ (0.007)

The Company realized a loss attributable to ordinary equity holders for the three months ended March 31, 2011 and 2010. Accordingly, the share-based payment arrangements in existence at March 31, 2011 and 2010 provided in note 13 are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

- Deploy capital to provide an appropriate return on investment to its shareholders;
- Maintain financial flexibility in order to preserve the Company's ability to meet financial obligations; and
- Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company's strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management but rather promotes year-over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements other than the financial tests and covenants associated with its credit facilities as described in note 7 to the Company's audited financial statements for the year ended December 31, 2010. At March 31, 2011, Questor was in compliance with these covenants.

The Company's capital structure consists of equity, short-term and long-term borrowings and cash. In order to maintain or alter the capital structure, the Company may adjust capital spending, refinance existing debt, raise new debt and issue common shares. It is expected, however, that Questor's funds generated from operations and cash amounts will provide sufficient capital resources and liquidity to fund existing operations in 2011 and anticipated capital expenditures.

A key measure the Company utilizes in evaluating its capital structure is the ratio of debt-to-total capitalization. Debt-to-total capitalization is calculated as debt divided by total capitalization. Debt is defined as total short- and long-term borrowings unadjusted for cash balances. Equity is defined as capital and reserves attributable to equity holders. Total capitalization is defined as the sum of debt unadjusted for cash balances and the book value of equity. Questor's target is to have debt-to-total capitalization of no greater than 35 percent.

The debt-to-total capitalization ratio at the end of each reporting period was as follows:

As at	March 31 2011	December 31 2010
Short-term borrowings	\$ -	\$ -
Long-term borrowings	-	-
Debt	-	-
Equity	5,947,114	6,050,381
Total capitalization	5,947,114	6,050,381
Debt-to-total capitalization ratio (%)	\$ 0.0	\$ 0.0

17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist, from time to time, of cash and cash equivalents, trade and other receivables, short-term and long-term borrowings and trade payables, accrued liabilities and provisions. The carrying amounts of the current financial assets and financial liabilities recognized in the Company's financial statements at the end of each reporting period approximate their fair value due to their short period to maturity. The carrying value of short-term borrowings approximates the fair value as it bears interest at a floating interest rate as described in note 7 to the Company's audited financial statements for the year ended December 31, 2010. The carrying value of long-term borrowings also approximates fair value as the fair value of long-term borrowings is estimated using discounted cash flows based on current rates of interest. At March 31, 2011 and December 31, 2010, there were no short-term or long-term borrowings outstanding. The Company did not hold or issue any derivative financial instruments during 2010 or in the three months ended March 31, 2011.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. At March 31, 2011 and at December 31, 2010, there was no impairment required on any of the financial assets of the Company.

The Company is exposed to market risk and potential loss from changes in the value of financial instruments. These risks are described in note 18.

18. FINANCIAL RISK MANAGEMENT

The Company is exposed to credit risk, liquidity risk, and market price risk (interest rate and foreign currency) as a result of holding financial instruments.

Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The credit risk relating to cash balances is limited because the counterparty is a large commercial bank in Canada. Financial instruments that subject the Company to credit risk consist primarily of trade receivables. The amounts reported for trade receivables in the balance sheet are net of allowances for doubtful accounts and bad debts and the net carrying value represents the Company's maximum exposure to credit risk.

Trade receivables credit exposure is minimized by entering into transactions with creditworthy counterparties, requiring deposits for incinerator sales, requiring progress payments or letters of credit in respect of international sales and monitoring the age and balances outstanding on an ongoing basis. Most of the Company's credit exposures are with counterparties in the energy industry and are subject to normal industry credit risk. Payment terms with customers are 30 days from invoice date however industry practice can extend these terms.

Revenue from the top ten customers represents 88 percent of the Company's revenue in the three months ended March 31, 2011 (2010 - 95 percent). Revenue from the largest customer represents 27 percent of the Company's revenue in first quarter 2011 (2010 - 27 percent).

The following table sets forth details of the aging profile of trade and other receivables and the allowance for doubtful accounts:

As at	March 31 2011	December 31 2010
Current and past due for less than 30 days	\$ 543,733	\$ 1,640,135
Past due for 31 – 60 days	38,364	47,863
Past due for 61 – 90 days	87,267	398
Past due for greater than 90 days	11,657	5,503
Billed receivables, net	681,021	1,693,899
Allowance for doubtful accounts	-	-
Billed receivables, net	681,021	1,693,899
Unbilled receivables	339,331	179,737
Total trade and other receivables, net	\$ 1,020,352	\$ 1,873,636

Six customers represent 68 percent of the Company's total net trade and other receivables at March 31, 2011 (December 31, 2010 – Three customers represented 69 percent).

Five customers comprise the trade and other receivables amounts past due for greater than 90 days at March 31, 2011 (December 31, 2010 - Three customers).

None of the trade and other receivables of the Company are considered by management to be doubtful at March 31, 2011 and consequently no impairment is recorded. The movement in the allowance for doubtful accounts is reconciled as follows:

For the	Three months ended March 31 2011	Year ended December 31 2010	Three months ended March 31 2010
Allowance for doubtful accounts at beginning of period	\$ -	\$ 71,004	\$ 71,004
Provision for impairment of trade receivables	-	-	-
Receivables written off (uncollectible)	-	(71,004)	-
Reversal of provision for impairment	-	-	-
Allowance for doubtful accounts at end of period	\$ -	\$ -	\$ 71,004

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company generally relies on cash deposits, funds generated from operations, deposits received from customers in respect of a sale and credit facilities to provide sufficient liquidity to meet budgeted operating requirements and to supply capital to finance the development of new clean air technologies or acquisitions.

At March 31, 2011 and December 31, 2010, the Company had the following contractual maturities with respect to non-derivative financial liabilities:

For the	Maturity	Three months ended March 31 2011	Year ended December 31 2010
Trade payables, accrued liabilities and provisions	Within 1 year	\$ 625,381	\$ 852,821
Current tax liabilities	Within 1 year	13,408	230,746
		\$ 638,789	\$ 1,083,567

The Company has sufficient working capital to meet obligations as they come due.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in market interest rates. From time to time, the Company may invest excess cash in banker's acceptances, term deposits and treasury bills issued by credit worthy banking institutions or draw on its revolving demand operating loan facility to fund its operations with floating rate borrowings as described in note 7 to the Company's audited financial statements for the year ended December 31, 2010. These activities expose Questor to changes in interest receipts and payments due to fluctuations in interest rates.

The Company currently does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations.

Foreign currency risk

Foreign currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company maintains cash balances and enters into transactions denominated in foreign currencies, principally in United States dollars, which exposes Questor to fluctuating balances and cash flows due to variations in foreign exchange rates.

At March 31, 2011, the Canadian equivalent carrying amounts of the Company's foreign currency denominated monetary assets was \$2,636,736 (2010 – \$2,263,433) and there were no foreign currency denominated monetary liabilities (2010 – \$nil). Based on the net foreign currency assets as at March 31, 2011, and assuming that all other variables remain constant, a fluctuation of +/- 5.0 percent in the exchange rate between the Canadian dollar and the foreign currency dollar would impact profit (loss) before tax by approximately \$131,145 (2010 - \$113,172).

To date, Questor has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates. However, the Company has a facility available to purchase foreign forward exchange contracts if required, as described in note 7 to the audited annual financial statements as and for the year ended December 31, 2010.

19. COMMITMENTS

Performance guarantee

On December 30, 2009, the Company issued a USD \$47,000 irrevocable letter of guarantee under its revolving foreign letter of credit/letter of guarantee facility as security to the beneficiary during the fabrication and warranty periods associated with an incinerator sale. This letter of guarantee expires on November 12, 2011.

Leasehold improvements

On December 14, 2010, Questor executed an offer to lease new corporate office space in Calgary, Alberta, Canada for a six-year term commencing May 1, 2011. The offer contemplates Questor expending a minimum of \$128,125 for leasehold improvements prior to commencement of the term for which the Company will receive gross rent abatement for 26 months. The future minimum lease payments, inclusive of estimated operating costs, pursuant to this office space lease are included in the lease agreement commitments table below.

Lease agreements

Future minimum lease payments under operating leases for office spaces expiring September 30, 2013 and April 30, 2017, inclusive of estimated operating costs, are as follows:

April 1 to December 31, 2011	\$	45,960
2012		61,280
2013		119,581
2014		147,241
2015		147,241
2016		147,241
2017		49,081
	\$	717,625

20. MOVEMENTS IN WORKING CAPITAL

The net change in the following non-cash working capital items increased (decreased) cash flows related to operating activities as follows:

For the three months ended March 31	2011	2010
Trade and other receivables	\$ 853,284	\$ 209,302
Current tax assets	(110,082)	37,088
Inventories	(85,131)	(114,246)
Prepaid expenses and deposits	46,606	26,839
Deferred expenses	-	2,356
Trade payables, accrued liabilities and provisions	(227,440)	28,713
Current tax liabilities	(217,338)	(3,195)
Deferred revenue and deposits	(114,541)	108,601
	145,358	295,458
Capital costs included in trade payables, accrued liabilities and provisions	28,984	(275)
Net foreign exchange losses included in working capital	(9,375)	(2,323)
Income taxes paid in current tax liabilities	215,000	-
	\$ 321,999	\$ 292,860

21. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company may transact with related parties. These transactions are recorded at their exchange amounts which approximate fair value.

In the three-month period ended March 31, 2011, Questor transacted with a corporation owned by a director of the Company. The Company purchased vehicle repairs and maintenance services at market value for \$4,885 (before HST). Questor also transacted with a corporation owned by a member of the key management personnel of the Company for provision of consulting services to the Company at market value for \$37,450 (before GST). At March 31, 2011, Questor owed \$18,401 (before GST/HST) to these related parties. There were no other amounts owing from or to related parties included in trade and other receivables and in trade payables, accrued liabilities and provisions at March 31, 2011.

In the three-month period ended March 31, 2010, the Company transacted with two member of the key management personnel. One individual owns a corporation from whom the Company has purchased consulting services at market value for \$37,420 (before GST). The other individual supplied rental equipment at market value for \$1,105 (before GST) to Questor. At March 31, 2010, Questor owed \$14,315 (before GST/HST) to these related parties. There were no other amounts owing from or to related parties included in trade and other receivables and in trade payables, accrued liabilities and provisions at March 31, 2010.

22. EXPLANATION OF TRANSITION TO IFRS

As disclosed in note 2, these unaudited condensed financial statements represent Questor's initial presentation of its financial results of operations and financial position under IFRS and therefore have been prepared in accordance with IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

The accounting policies disclosed in note 3 have been applied in preparing the condensed financial statements for the three months ended March 31, 2011 as well as the comparative information for both the three months ended March 31, 2010 and the year ended December 31, 2010. These accounting policies have also been applied in the preparation of the opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition) as required by IFRS 1.

In accordance with IFRS 1, estimates under IFRS at the date of transition are consistent with estimates made for the same date under Canadian GAAP.

IFRS 1 exemptions

The provisions under IFRS 1 allow for certain mandatory exceptions and optional exemptions for first time adopters to alleviate the retrospective application of all standards under IFRS. The Company has elected to apply the following exemptions available under IFRS 1 in preparing these condensed financial statements:

- Share-based payments

The Company has elected not to restate its share-based payments for share options granted after November 7, 2002 and vested prior to January 1, 2010.

- Property and equipment

The Company has elected not to apply the fair value exemption in IFRS 1. Instead, the Company has elected to apply IAS 16 *Property, Plant and Equipment* retrospectively to its property and equipment and used historic cost amounts as at January 1, 2010.

- Leases

The Company has elected not to reassess whether an arrangement contains a lease under IFRIC 4 for contracts that were assessed under previous Canadian GAAP.

- Financial instruments

The Company has chosen to apply the derecognition requirements in IAS 39 *Financial Instruments: Recognition and Measurement* retrospectively from the date of transition to IFRS, January 1, 2010.

- Borrowing costs

The Company has elected to apply IAS 23 *Borrowing Costs* prospectively to all qualifying assets measured at cost.

Reconciliations between Canadian GAAP and IFRS

In preparing the opening IFRS statement of financial position at January 1, 2010, the Company has adjusted the amounts reported previously in its financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, results of operations and cash flows is set out in the following tables and the notes that accompany the tables. In certain cases, the Company has changed the terms, descriptions and presentations used throughout the financial statements to conform to those generally used under IFRS.

Statements of financial position

The Company's unaudited statements of financial position as at the transition date of January 1, 2010 and as at March 31, 2010 and December 31, 2010 under IFRS are as follows.

Statement of Financial Position

As at January 1, 2010 (stated in Canadian dollars):

As at	Notes	December 31 2009 Previous GAAP	Effect of transition to IFRS	January 1 2010 IFRS
ASSETS				
Current assets				
Cash		\$ 3,080,997	\$ -	\$ 3,080,997
Trade and other receivables		864,260	-	864,260
Current tax assets		306,850	-	306,850
Inventories		433,145	-	433,145
Prepaid expenses and deposits		101,072	-	101,072
Deferred expenses		2,356	-	2,356
Future income tax assets	(e)	50,113	(50,113)	-
Total current assets		4,838,793	(50,113)	4,788,680
Non-current assets				
Property and equipment	(a)	1,418,524	(229,710)	1,188,814
Intangible assets		15,682	-	15,682
Deferred tax assets	(e)	-	102,828	102,828
Total non-current assets		1,434,206	(126,882)	1,307,324
Total assets		\$ 6,272,999	\$ (176,995)	\$ 6,096,004
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables, accrued liabilities and provisions		\$ 348,150	\$ -	\$ 348,150
Borrowings		15,232	-	15,232
Current tax liabilities		19,034	-	19,034
Deferred revenue and deposits		198,641	-	198,641
Future income tax liabilities	(e)	2,281	(2,281)	-
Total current liabilities		583,338	(2,281)	581,057
Non-current liabilities				
Deferred tax liabilities	(d),(e)	74,057	(4,606)	69,451
Total liabilities		657,395	(6,887)	650,508
Capital and reserves				
Issued capital		5,265,736	-	5,265,736
Reserves	(b)	447,651	125,698	573,349
(Deficit) retained earnings	(a),(b),(d)	(97,783)	(295,806)	(393,589)
Total equity		5,615,604	(170,108)	5,445,496
Total liabilities and equity		\$ 6,272,999	\$ (176,995)	\$ 6,096,004

Statement of Financial Position
As at March 31, 2010 (stated in Canadian dollars):

As at	Notes	March 31 2010 Previous GAAP	Effect of transition to IFRS	March 31 2010 IFRS
ASSETS				
Current assets				
Cash		\$ 3,228,423	\$ -	\$ 3,228,423
Trade and other receivables		654,958	-	654,958
Current tax assets		269,761	-	269,761
Inventories		547,391	-	547,391
Prepaid expenses and deposits		74,233	-	74,233
Future income tax assets	(e)	88,421	(88,421)	-
Total current assets		4,863,187	(88,421)	4,774,766
Non-current assets				
Property and equipment	(a)	1,387,047	(241,789)	1,145,258
Intangible assets		11,672	-	11,672
Deferred tax assets	(e)	-	141,832	141,832
Total non-current assets		1,398,719	(99,957)	1,298,762
Total assets		\$ 6,261,906	\$ (188,378)	\$ 6,073,528
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables, accrued liabilities and provisions		\$ 376,863	\$ -	\$ 376,863
Borrowings		10,155	-	10,155
Current tax liabilities		15,840	-	15,840
Deferred revenue and deposits		307,242	-	307,242
Future income tax liabilities	(e)	2,281	(2,281)	-
Total current liabilities		712,381	(2,281)	710,100
Non-current liabilities				
Deferred tax liabilities	(d),(e)	60,554	(5,482)	55,072
Total liabilities		772,935	(7,763)	765,172
Capital and reserves				
Issued capital		5,265,736	-	5,265,736
Reserves	(b)	486,038	113,619	599,657
(Deficit) retained earnings	(a),(b),(d)	(262,803)	(294,234)	(557,037)
Total equity		5,488,971	(180,615)	5,308,356
Total liabilities and equity		\$ 6,261,906	\$ (188,378)	\$ 6,073,528

Statement of Financial Position

As at December 31, 2010 (stated in Canadian dollars):

As at	Notes	December 31 2010 Previous GAAP	Effect of transition to IFRS	December 31 2010 IFRS
ASSETS				
Current assets				
Cash		\$ 3,995,669	\$ -	\$ 3,995,669
Trade and other receivables	(c)	1,872,509	1,127	1,873,636
Current tax assets		362	-	362
Inventories		313,567	-	313,567
Prepaid expenses and deposits		107,467	-	107,467
Total current assets		6,289,574	1,127	6,290,701
Non-current assets				
Property and equipment	(a)	1,316,858	(279,293)	1,037,565
Intangible assets		10,759	-	10,759
Deferred tax assets	(e)	-	49,695	49,695
Total non-current assets		1,327,617	(229,598)	1,098,019
Total assets		\$ 7,617,191	\$ (228,471)	\$ 7,388,720
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables, accrued liabilities and provisions		\$ 852,821	\$ -	\$ 852,821
Current tax liabilities	(c)	230,431	315	230,746
Deferred revenue and deposits		146,485	-	146,485
Future income tax liabilities	(e)	18,706	(18,706)	-
Total current liabilities		1,248,443	(18,391)	1,230,052
Non-current liabilities				
Deferred tax liabilities	(d),(e)	110,222	(1,935)	108,287
Total liabilities		1,358,665	(20,326)	1,338,339
Capital and reserves				
Issued capital		5,404,966	-	5,404,966
Reserves	(b)	525,446	68,498	593,944
(Deficit) retained earnings	(a),(b), (c),(d)	328,114	(276,643)	51,471
Total equity		6,258,526	(208,145)	6,050,381
Total liabilities and equity		\$ 7,617,191	\$ (228,471)	\$ 7,388,720

Statements of comprehensive income (loss)

Below are the Company's unaudited statements of comprehensive income (loss) for the three months ended March 31, 2010 and the year ended December 31, 2010 under IFRS.

Statement of Comprehensive Loss

For the three months ended March 31, 2010 (stated in Canadian dollars except per share amounts):

For the three months ended March 31	Notes	March 31 2010 Previous GAAP	Effect of transition to IFRS	March 31 2010 IFRS
Revenue		\$ 488,117	\$ -	\$ 488,117
Cost of sales	(a),(b)	(327,575)	(10,133)	(337,708)
Gross profit		160,542	(10,133)	150,409
Administration expenses	(b),(f)	(324,155)	26,831	(297,324)
Net foreign exchange losses		(47,295)	-	(47,295)
Research and development costs	(f)	-	(16,698)	(16,698)
Depreciation of property and equipment		(2,921)	-	(2,921)
Amortization of intangible assets		(4,010)	-	(4,010)
Finance costs		(504)	-	(504)
Other revenue		1,512	-	1,512
Loss before tax		(216,831)	-	(216,831)
Income tax income	(d)	51,811	1,572	53,383
Loss and comprehensive loss		\$ (165,020)	\$ 1,572	\$ (163,448)
Loss per share - Basic		\$ (0.007)	\$ 0.000	\$ (0.007)

Statement of Comprehensive Income (Loss)

For the year ended December 31, 2010 (stated in Canadian dollars except per share amounts):

For the year ended December 31	Notes	December 31 2010 Previous GAAP	Effect of transition to IFRS	December 31 2010 IFRS
Revenue	(c)	\$ 5,786,402	\$ 1,127	\$ 5,787,529
Cost of sales	(a),(b)	(3,739,824)	(44,176)	(3,784,000)
Gross profit		2,046,578	(43,049)	2,003,529
Administration expenses	(b),(f)	(1,376,256)	112,619	(1,263,637)
Net foreign exchange losses		(50,551)	-	(50,551)
Research and development costs	(f)	-	(60,826)	(60,826)
Depreciation of property and equipment		(11,641)	-	(11,641)
Amortization of intangible assets		(4,923)	-	(4,923)
Finance costs		(1,012)	-	(1,012)
Other revenue		55,036	-	55,036
Profit (loss) before tax		657,231	8,744	665,975
Income tax income (expense)	(d)	(231,334)	10,419	(220,915)
Profit (loss) and comprehensive loss		\$ 425,897	\$ 19,163	\$ 445,060
Loss per share - Basic		\$ 0.018	\$ 0.000	\$ 0.018

Reconciliation of changes in equity

Below is a reconciliation of changes in equity as at the transition date of January 1, 2010 and as at March 31, 2010 and December 31, 2010 under IFRS.

As at January 1, 2010, March 31, 2010 and December 31, 2010 (stated in Canadian dollars)

For the period ended	Notes	January 1 2010	March 31 2010	December 31 2010
Shareholders' equity under CGAAP		\$ 5,615,604	\$ 5,488,971	\$ 6,258,526
Effect of transition to IFRS:				
Property and equipment	(a)	(229,710)	(241,789)	(279,293)
% completion revenue	(c)	-	-	1,127
Income taxes	(d)	59,602	61,174	70,021
Equity under IFRS		\$ 5,445,496	\$ 5,308,356	\$ 6,050,381

Notes to the reconciliations between Canadian GAAP and IFRS

(a) Property and equipment

Under IAS 16 *Property, Plant and Equipment*, when a fixed asset consists of a number of individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately. As a result of this requirement, the Company has componentized its rental incinerator assets and the expected lives of individual assets and components were revised. The changes were applied retrospectively to the date of acquisition of each asset and/or component which resulted in higher accumulated depreciation under IFRS than was reported under previous Canadian GAAP. As a result of these changes, the Company's aggregate property and equipment will be depreciated at accelerated rates compared to those under previous Canadian GAAP.

The Company has adjusted its property and equipment carrying value to reflect these differences. The impact arising from these changes is summarized as follows:

Statement of financial position	January 1 2010	March 31 2010	December 31 2010
Decrease in property and equipment	\$ (229,710)	\$ (241,789)	\$ (279,293)
Increase in deficit	\$ 229,710	\$ 241,789	\$ 279,293

Statement of comprehensive income (loss)	Three months ended March 31 2010	Year ended December 31 2010
Increase in cost of sales	\$ 12,079	\$ 49,583
Increase in loss	\$ 12,079	\$ 49,583

(b) Share-based payments

The Company recognizes equity-settled share-based payments under both Canadian GAAP and IFRS. The timing and amount of the expense differs between IFRS and Canadian GAAP for the following reasons:

i) Under Canadian GAAP, each grant with staggered vesting dates was treated as one arrangement and the fair value at the date of the grant recognized on a straight line basis over the total vesting period. Under IFRS, each vesting tranche is treated as a separate grant with a separate vesting date and fair value.

ii) Under Canadian GAAP, forfeitures of share options were recognized as they occurred. Under IFRS, a forfeiture rate is estimated for the number of options expected to vest. The estimate is revised if subsequent information indicates that actual forfeitures differ from the original estimate.

The Company has adjusted its share-based payments to reflect these differences. The impact arising from these changes is summarized as follows:

Statement of financial position	January 1 2010	March 31 2010	December 31 2010
Increase in reserves	\$ (125,698)	\$ (113,619)	\$ (68,498)
Increase in deficit	\$ 125,698	\$ 113,619	\$ 68,498

Statement of comprehensive income (loss)	Three months ended March 31 2010	Year ended December 31 2010
Decrease in cost of sales	\$ (1,946)	\$ (5,407)
Decrease in administration expenses	\$ (10,133)	\$ (51,793)
Decrease in loss	\$ (12,079)	\$ (57,200)

(c) Revenue

Under previous Canadian GAAP, revenue from the provision of combustion services was recognized upon completion of the contract. Determination of revenue recognition under IAS 18 *Revenue* is by reference to the stage of completion of the contract.

The Company has adjusted its revenue to reflect these differences. The impact arising from these changes is summarized as follows:

Statement of financial position	January 1 2010	March 31 2010	December 31 2010
Increase in trade and other receivables	\$ -	\$ -	\$ 1,127
Decrease in deficit	\$ -	\$ -	\$ (1,127)

Statement of comprehensive income (loss)	Three months ended March 31 2010	Year ended December 31 2010
Increase in revenue	\$ -	\$ (1,127)
Decrease in loss	\$ -	\$ (1,127)

(d) Income taxes

The carrying amounts used in determining the Company's deferred tax assets and liabilities are directly impacted by the IFRS transition adjustments noted above.

The Company has adjusted its deferred tax assets and liabilities to reflect these differences. The impact arising from these changes is summarized as follows:

Statement of financial position	January 1 2010	March 31 2010	December 31 2010
Decrease in deferred tax liabilities	\$ 59,602	\$ 61,174	\$ 70,336
Decrease deficit	\$ (59,602)	\$ (61,174)	\$ (70,336)

Statement of comprehensive income (loss)	Three months ended March 31 2010	Year ended December 31 2010
Increase in current income tax expense	\$ -	\$ 315
Increase in deferred income tax income	(1,572)	(10,735)
Decrease loss	\$ (1,572)	\$ (10,420)

(e) Presentation of income taxes

All deferred tax assets and deferred tax liabilities are presented as non-current on the statement of financial position under IFRS. Under previous Canadian GAAP, the approach was to allocate between current and non-current future income tax assets and liabilities based on the classification of the underlying assets and liabilities to which they related and/or the expected reversal of the temporary differences.

The Company has adjusted its deferred tax assets and liabilities to reflect these differences. The impact arising from these changes is summarized as follows:

Statement of financial position	January 1 2010	March 31 2010	December 31 2010
Decrease in current future income tax assets	\$ (50,113)	\$ (88,421)	\$ -
Increase in deferred tax assets	102,828	141,832	49,695
Decrease in current future income tax liabilities	2,281	2,281	18,706
Increase in deferred tax liabilities	(54,996)	(55,692)	(68,401)
Loss	\$ -	\$ -	\$ -

(f) Presentation of statement of comprehensive income (loss)

IAS 1 requires that expenses on the statement of comprehensive income (loss) be presented either by nature or function. Under Canadian GAAP, the Company used a hybrid approach whereby the face of the statement of comprehensive income (loss) was presented by function; however, certain expenses (such as depreciation and amortization) were not allocated to a function. For the most part, the Company has retained this approach under IFRS with only a few reclassifications.

Material adjustments to statement of cash flows

Consistent with the Company's accounting policy choice under IAS 7 *Statement of Cash Flows*, interest paid in respect of vehicle financing has been classified as financing activities in the unaudited condensed statement of cash flows, whereas it was previously included in operating activities. Interest paid and income taxes paid are now presented in the body of the statement of cash flows under financing activities and operating activities, respectively, whereas they were presented as supplementary information previously. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous GAAP.

The changes made to the condensed statements of financial position and statements of comprehensive income have resulted in reclassifications of various amounts on the condensed statement of cash flows. However, as there have been no changes to net cash flows, no reconciliations are presented.